



Jack Scott, Chair
 Bob Margett
 John Vasconcellos

May 10, 2004
 1:30 p.m. – Room 113

Part I

	<u>Page</u>
Preface <u>Proposition 98 Update – LAO</u>	
I. <u>Commission on Teacher Credentialing (6360)</u>	2
A. Reduction of Certification Staff and Expenses	3
B. Elimination of Pre-Internship Program	7
II. <u>Secretary for Education (0558)</u>	9
A. Trailer Bill Language – Kindergarten Readiness	9
III. <u>Department of Education (6110) – Various</u>	
A. Program Deficiencies	11
B. Prop 98 Reversions	11
C. Alternative Apportionment Deferrals – Follow --Up	12
D. Revenue Limit Equalization – Follow --Up	13
E. Special Education – Follow – Up	14
F. Charter School Block Grants -- Budget Language	14
G. Budget Trailer Bills – PERS Offset – Jt. Powers	15
H. Budget Trailer Bill – Layoff Notices	15
IV. <u>Department of Education (6110) – State Operations</u>	
A. Child Nutrition Programs	16

I. Commission on Teacher Credentialing (6360)

Background: The Commission on Teacher Credentialing (CTC) was created in 1970 to establish and maintain high standards for the preparation and licensing of public school teachers and administrators. The CTC issues several different types of professional documents, authorizing the service of teachers, administrators and other school personnel in California's public schools. These documents include various credentials, emergency permits, credential waivers, and certificates.

The CTC currently receives more than 258,000 applications for credentials, emergency permits and credential waivers. As indicated below, the number of applications has grown in recent years. However, due to the economy and budget hardships facing schools, the CTC is experiencing a drop in the current year. In 2003-04, the CTC received 17,691 fewer applications overall than in 2002-03 – a 6.9 percent decline.

	2000-01	2001-02	2002-03	2003-04	One Year Change	2004-05 Estimated
Credential Applications Received^a	215,954	239,501	250,701	235,327	15,374 (6.1 %)	235,000
Waiver Applications Received	7,865	7,918	5,144	2,827	2,317 (45%)	2,000
Total	223,819	247,419	255,845	238,154	17,691 (6.9%)	237,000

^aIncludes emergency permits.

The Governor's Budget proposes \$55.7 million for the CTC's budget in 2004-05, which is \$11.2 million (16.7 percent) below its 2003-04 budget.

Of this total, \$31.8 million (57 percent) is funded from the General Fund (Proposition 98) in the budget year. This funding is tied to the administration of three local assistance education programs – the Alternative Certification Program, Paraprofessional Teacher Training Program, and Teacher Misassignment Monitoring Program. The Administration proposes to eliminate funding for a fourth General Fund, local assistance program – the Pre-Intern Program -- in 2004-05 (see item below).

Another \$23.6 million (42.4 percent) of the CTC budget is funded by two special funds that support the CTC's state operations budget. In the budget year, the Governor's Budget appropriates \$13.9 million from the Teacher Credentials Fund and \$9.7 million from the Test Development and Administration Account.

The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. For example, the CTC currently charges \$55 for a new or renewed teaching credential. The Test Development and Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST) and the Reading Instruction Competence Assessment (RICA).

In recent years, there has been a great deal of fluctuation in revenues from these two funds, however fund balances and programs have been maintained through loans between the two funds.

Currently revenues are down in the Teacher Credentials Fund due to fewer applications for credentials, emergency permits and waivers, and as a result this fund is experiencing a shortfall.¹ Consequently, the Governor's Budget provides a \$2.8 million loan from the Test Development and Administration Account to cover an estimated 4 percent shortfall in the Teacher Credentials Fund in 2003-04. This amount may grow to \$3.0 million by the end of the year as revenues have continued to decline beyond the 4 percent initially estimated. Since 1998-99, the CTC has been operating within a revenue structure whereby expenditures exceed revenues. This result has been that the remaining Teacher Credentials Fund balance has been completely drawn down and current revenue levels are insufficient to support the ongoing costs of the CTC.

Budget Issues/Actions:

A. Reduction of Certification Staff

The Governor proposes to reduce the budget for the CTC's Certification, Assignments and Waivers (CAW) Division by \$600,000 in 2004-05. This proposed reduction would avoid over appropriating the Teacher Credentials Fund, and includes a \$300,000 savings from the elimination of six certification positions and another \$300,000 in operating expenses and equipment.

¹ In 2000-01 the Legislature reduced the credential fee from \$60 to \$55 effective July 2000. At that time, the Teacher Credentials Fund had a fund balance of \$5.7 million.

According to the Administration, this proposal is tied to an anticipated reduction in workload in 2004-05 resulting from (1) a reduction in the number of emergency permit applications and (2) additional processing efficiencies from implementation of a new information technology system.

Pursuant to Control Section 4.10 of the 2003 Budget Act, the CTC permanently lost 24.3 positions in 2003-04. Of these positions, 14.1 positions were from the CAW Division. In addition, the CTC lost 10.5 positions in 2002-03 as required by Control Section 31.60 of the 2002 Budget Act. Of these positions, 2.5 were from the CAW Division. Overall, the CAW Division has taken a 24.6 percent reduction in staffing over the last two years.

The primary responsibilities of the CAW Division are to process various credential applications and to provide customer service to credential holders and applicants. As a result of these staff reductions, CTC has reprioritized the workload in the CAW division to focus primarily on trying to process credential applications within the 75-day timeframe established in regulation. This has been achieved by limiting other functions such as staff training and customer services activities. For example, CTC has reduced phone hours for credential applicants in half – offering telephone assistance from noon to 5 p.m. daily, instead of 8 a.m. to 5 p.m. daily, as previously provided.

As processing time in the CAW Division increases, there are resulting delays in the review and processing of applications through the Division of Professional Practices (DPP), which is responsible for character fitness review and the discipline of credential holders. As a consequence, further reductions in staffing in the CAW Division affect the CTC's capacity to review allegations of misconduct against a credential holder or applicant. Given the role of the DPP Division to ensure the "fitness" of classroom teachers, the timeliness of DPP review is important to assure the safety and security of classrooms.

Currently, the CAW Division is processing teacher credential applications within the 75-day regulatory timeframe. However, the application backlog at the end of the 2002-03 fiscal year was 54,579 applications. The current average backlog for 2003-04 is 56,100. This is really a point-in-time measure and changes based upon monthly workload

The CTC is currently in the process of implementing a new information technology system – the Teacher Credentialing Service Improvement Project

(TCSIP). Once fully implemented, this new system is expected to yield some small workload efficiencies, potentially as soon as mid-way through the budget year. The target date for implementation of Phase 3 of the TCSIP (final) is August 2004, but some components of the new system – such as the Virtual Credentialing Officer – won't be implemented until October 2004. The CTC estimates that it may take from three to six months after implementation to realize any additional efficiencies from the project.

The LAO does not have a specific recommendation on the Governor's proposal to reduce staff and expenses in the CAW Division in 2004-05. According to an analysis prepared by the LAO, the Governor's Budget assumes a 35 percent increase in processing time efficiencies (credentials per hour) and training time within the CAW Division in 2004-05.

***Staff Notes:** Staff recommends that the Subcommittee reject the Governor's proposal to eliminate \$600,000 in the CAW Division in 2004-05. Instead, staff recommends that the Subcommittee re-evaluate staffing levels as a part of the 2005-06 budget process to reflect actual changes in credentialing workload once the CTC's information technology system is fully implemented and once it can be assured that the CTC is able to meet regulatory timeframes for processing credentials and other documents and maintain reasonable levels of customer service.*

Staff recommends that the restoration of these positions be funded through an additional loan of \$600,000 from the Test Development and Administration Account in 2004-05. In addition, it is estimated that increasing the loan by an additional \$900,000 would address any further decline in 2004-05 revenues. Overall, restoration of budget year funding would bring the total loan to approximately \$1.5 million in the budget year.

Staff notes that there is more than adequate funding available in the Test Development and Administration Account. The Governor's Budget estimates an ending balance for the account of \$5 million in 2003-04; the balance is estimated to grow to \$9.3 million by the end of 2004-05.

As justification for the recommendation above, staff notes that it is unlikely that the CTC will be able to achieve significant additional processing efficiencies – estimated at 35 percent by LAO -- as a result of a lower volume of credential and other applications or from the new information technology systems in 2004-05.

As a result, it is also unlikely that under the Governor's proposal the CTC will be able to meet its regulatory obligations for approving credentials, permits, waivers and other documents in the specified timeframe. In addition, it is unlikely that the CTC will be able to maintain current standards of customer service, which have already been significantly reduced in the current year due to the loss of 14.3 positions related to Control Section 4.10 of the Budget Act of 2003.

While some additional savings may be realized from fewer credential, permit, and waiver applicants, the CTC is currently just meeting its regulatory obligations for approving credentials within 75 days and approving permits and waivers within 30 days. These current workload statistics reflect the most current month, which reflects a lower volume month in the annual cycle. It is unlikely that CTC will be able to maintain its regulatory obligations in the higher volume months this summer, assuming current staffing levels.

Additionally, efficiencies from CTC's new information technology system will not be fully realized in the budget year. Specifically, the system will not be fully implemented until October 2004, and it may take several months for the efficiencies to take full effect. More likely, implementation of the project will delay processing for at least 5 to 6 months as CTC staff are trained on the new system.

Suggested Questions:

- *What is the current timeframe to process credentials? Can the CTC assure that it can meet regulatory processing timelines in the budget year if it loses six positions in the budget year?*
- *What is the current backlog of applications and how does it compare to the level of the backlog in previous years?*
- *How have recent cutbacks in customer service affected candidates?*
- *Was the Teacher Credentialing Service Improvement Project (TCSIP) intended to improve services or to reduce staff?*
- *Will the CTC be able to make position reductions proposed by the Governor through vacancies?*

B. Proposed Elimination of Pre-Intern Program

The Governor's Budget proposes to eliminate the Pre-Intern Program, as administered by the CTC, for a savings of \$10.4 million in 2004-05. The Governor's Budget also proposes elimination of the program since pre-intern teachers do not meet the definition of highly qualified teachers under the federal No Child Left Behind Act (NCLB), which takes effect at the end of 2005-06. As a part of the proposal, the Governor proposes budget trailer bill language to repeal the Pre-Intern Program.

In a related proposal, the Governor also proposes to increase funding for the Intern Program by \$ 2.4 million in order to absorb an additional 955 teachers who are ready to move to the Pre-Intern Program in 2004-05.

The Pre-Intern Program is intended to reduce the number of teachers with emergency permits in the state by providing formal assistance and support to non-credentialed "teachers of record" in meeting the subject matter competency requirements for credentialing. Once these requirements are met, these teachers can enter the Intern Program, which provides training and support for non-credentialed teachers who have completed subject matter requirements, but have not completed a traditional teacher preparation program.

Under the NCLB, all teachers in California must meet the definition of "highly qualified teacher" by the end of the 2005-06. Teacher interns will meet the new definition because they will have attained subject matter competency; however, pre-intern teachers, as well as teachers working under emergency permits and credential waivers, will not meet the federal definition.

As indicated by the table below, the Pre-Intern program has grown significantly since it began in 1998, but participation has started to drop in the last two years. The Intern Program, which began in 1994, continues to grow steadily.

Participants	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Pre-Interns	955	5,800	7,694	9,871	8,843	4,895
Interns	4,340	4,827	5,649	7,103	7,505	8,972

Most pre-interns complete their subject matter requirements in one year, but some teachers require two or more years in the program. Of the 4,895 pre-intern

teachers in 2003-04, a total of 3,326 teachers (68.0 percent) are in their first year of the program; 1,358 teachers (27.8 percent) are in their second year; and 211 teachers (4.3 percent) are in their third year.

The LAO recommends including the Pre-Intern program as a part of their Teacher Quality Block Grant proposal without specifically restoring funding in the budget year. If the program is retained as a separate categorical program, the LAO would suggest phasing it out and sunseting it at the end of the 2005-06 fiscal year.

Staff Notes: *Staff recommends that the Subcommittee consider restoration of \$6.652 million in funding for the Pre-Intern program in 2004-05 to allow CTC to continue to fund 3,326 pre-interns who will be in the second year of the program and who would otherwise not be able to finish the program and meet the requirements of the Intern Program. This recommendation would reduce the program by \$3.7 million below the level budgeted in 2003-04.*

Staff does not recommend funding a new cohort of teacher pre-interns, and therefore would begin phase-out of the program in 2004-05. Since the NCLB requirements will not take effect for another two years, it seems premature to drop participants before they have achieved subject matter competency and can transition to the Intern Program. Under the Governor's proposal, participants dropped from the program in the budget year would presumably revert to emergency permit status.

II. Secretary for Education (0558)

The Secretary of Education, a member of the Governor's Cabinet, is responsible for advising the Governor and making recommendations on state education policy and legislation.

The Office of the Secretary for Education (OSE) no longer administers any local assistance programs. The 2003-04 Budget Act eliminated funding for the Academic Volunteer and Mentor Service Program (\$5.8 million) and shifted both support funding (\$1.3 million) and administration of the School-to-Career Program to the California Department of Education.

For the budget year, the operational costs of the OSE are funded through the Governor's Office of Planning and Research (0650), pending legislation to establish the Secretary statutorily.

The Governor proposes an increase of \$80,000 for OSE in 2003-04 to reflect baseline adjustments for retirement costs per Control Section 3.60 of the Budget Act of 2003. OSE reverted \$2.6 million in funds appropriated in 2001-02 for the School Readiness Initiative in order to make reductions per Control Section 4.10 of the Budget Act of 2003.

The Governor proposes a net reduction of \$138,000 for baseline adjustments, which reflects adjustments per Control Section 3.60 and ongoing savings of \$216,000 associated with the elimination of three positions per Control Section 4.10 of the Budget Act of 2003.

Budget Issues/Actions:

A. Budget Trailer Bill Language – Eliminate Kindergarten Readiness Pilot Program

The Governor's Budget proposes budget trailer bill language to repeal the Kindergarten Readiness Pilot Program, as established by Chapter 1022; Statutes of 2000 (AB 25/Mazzoni). The purpose of the pilot program was to test the effectiveness of increasing the kindergarten entrance age to five years. Currently, students must turn 5 years on or before December 2nd of the year they enter Kindergarten.

The pilot program was authorized to begin in 2001 as a ten-year, voluntary pilot program for school districts; however, because the program has never been funded, it has never been implemented. Given other budget priorities, the Administration proposes to eliminate this pilot program.

The LAO supports the Governor's proposal.

III. Department of Education (6110) – Various Items

A. Program Deficiencies

According to the LAO there are likely to be funding deficiencies for several categorical programs in 2003-04. There is currently evidence that three categorical-type programs may end the current fiscal year with funding deficiencies. These deficiencies involve funding for (1) charter schools; (2) supplemental instruction; and (3) community day schools.

The LAO will provide the Subcommittee with an update on programs that are likely to face deficiencies in the current year and options for resolving them.

Background: Given the size and scope of education categorical programs, program deficiencies are not unusual, and the Legislature has several options for addressing these deficiencies in the budget. For example, Budget Control Section 12.60 allows CDE to shift funds among a specific list of categorical programs to address either funding shortfalls or funding excesses that have accumulated for programs.

Deficiencies can also be offset by savings from other programs in the current year (see next item). For example, the K-3 Class Size Reduction program is predicted to have surplus funds that could be used for this purpose.

B. Proposition 98 Program Reversions

As discussed at the Subcommittee's March 15th hearing, the Governor's 2004-05 budget also proposes using \$144.4 million in one-time Proposition 98 Reversion Account funds to restore funding for some programs subject to deferred appropriations schedules. Of this amount, \$98.1 million fully restores funding for the Targeted Instructional Improvement Grant program, which was deferred from 2003-04 to 2004-05, and \$46.3 million partially restores appropriations from the School Safety Program that were deferred from 2004-05 to 2005-06.

Although total Proposition 98 reversions will not be completely known until the end of the current fiscal year, the Department of Finance will provide an update of Proposition 98 reversions recently identified by the Department of Education.

Additional reversions will probably be included in the Governor's May Revision. The LAO will provide further comment on these reversions, including possible options for appropriating these funds.

C. Alternative Apportionment Deferrals -- Follow-Up

In 2004-05, the Governor proposes to continue the deferral of most P2 apportionments (revenue limits and categorical programs) that were first deferred in the 2003-04 budget. The LAO supports this proposal, given current budget pressures.

However, there is strong agreement among CDE, DOF and LAO that there are problems with the P2 apportionment deferral process that need to be corrected. These problems stem from the difficulty in utilizing revenue limit apportionments to meet a specific budget target.

In 2002-03, P2 revenue limit apportionments were higher than anticipated resulting in higher deferrals to 2003-04 than required. This led to an underfunding of Proposition 98 in 2003-04, which the Governor proposes to address through settle-up payments in 2006-07.

A group of representatives from DOF, LAO, and CDE are working on changes to the P2 apportionment deferral process that would allow a specified level of apportionment funding to be deferred each year. Representatives from these agencies will discuss options for fixing these problems.

Solutions to the P2 apportionment deferrals in 2004-05 will require budget trailer bill language.

On a separate, but related issue, the Governor proposes budget trailer bill language in 2004-05 to prevent a reversion of funding for specific education programs from prior years before the P2 deferral in July of each year. (See Attachments). This language is needed as long as the budget contains deferrals of P2 apportionments. This language is considered technical, conforming language. There is no opposition to this language.

D. Revenue Limit Equalization – Follow-Up

At its March 15th hearing, the Subcommittee requested that the LAO develop an alternative method of allocating equalization funding that would be more equitable among districts of different size and type than the method proposed by the Governor in 2004-05. In calculating revenue limit equalization, adjustments are applied to school districts according to six categories: type (elementary, high school, and unified) and enrollment size (small and large).

The LAO does not support the Governor's equalization proposal until after the Legislature pays off other education expenses on the credit card – deficit factor, mandates, and deferrals. In addition, the LAO identified a number of problems with the method of allocating equalization funding under the Governor's proposal. Under the Governor's allocation proposal, the LAO noted several problems with the Governor's proposed allocation method as contained in trailer bill language.

However, the LAO advised the Subcommittee that if it chooses to approve equalization funding in 2004-05, they might want to consider an alternative allocation method to the one proposed by the Governor. The LAO will present this alternative at the hearing today.

Background: The Administration is sponsoring legislation – SB 1298 (Brulte) – to implement its equalization proposal. This bill is being held in the Senate Education Committee. In addition, AB 2178 (Simitian & Daucher) contains similar language to the Governor's bill. AB 1298 is currently in the Assembly Appropriations Committee.

Both SB 1298 and AB 2178 implement the Governor's budget proposal for what's referred to as "post-SB 727" school district revenue limit equalization. The Governor's January 10 budget bill appropriates \$110 million for this purpose, but the Governor has proposed, through an April Finance Letter, to lower the appropriation for K-12 school district revenue limit equalization to \$82.2 million.

There are two methods of calculating revenue limit equalization funding for school districts in current law. Each method calculates average daily attendance (ADA) differently. The first method counts ADA based on calculations used prior to passage of SB 727 (Chapter 855; Statutes of 1997) – a bill that discontinued the practice of counting excused absences as ADA. The second method relies on current per pupil revenue limits, without any adjustment for excused absences. Both of these methods were enacted through AB 2781, the budget trailer bill for

2002-03, but because they are subject to an appropriation, have not been implemented.

E. Special Education – State Level Activities -- Follow-Up

At the April 26th hearing, the Subcommittee requested specific budget and staffing information that is needed in order to assess the proposals to increase CDE staff to improve state certification and monitoring of Non-Public Schools (NPS) serving students eligible for special education. The Subcommittee requested the following two reports that will be provided at the hearing today:

- ***From the Department of Education:*** *The number of department staff currently assigned to NPS certification and the number of additional staff necessary to assure that the department visit NPSs at least once every two years.*
- ***From the LAO:*** *Data on the level of federal IDEA funds appropriated for state level activities in the Governor's Budget in 2004-05, and the specific programs and positions funded with these dollars.*

F. Charter Schools Block Grant -- Follow-Up

The LAO recommends that the Legislature address ongoing confusion and controversy regarding the identification of categorical excluded from the Charter Schools Block Grant. According to this law, there is no common understanding in statute of what programs are included or excluded from the block grant.

In their analysis, the LAO suggests that the Legislature amend Education Code section 47634(b) to list excluded programs. In addition, the LAO recommends that the Legislature adopt new statutory provisions requiring that all newly established categorical programs that are intended to be excluded from the charter school block grant be listed in this section.

There is general agreement among LAO, DOF and CDE that this issue is a problem, but the best “fix” has not yet been identified by the parties. The LAO will provide the Subcommittee with an update on their work in resolving this issue.

G. Budget Trailer Bill Language – PERS Offset – Joint Powers Authorities

The Governor is proposing budget trailer bill language that would clarify existing law to assure that the PERS offset covers joint powers authorities. Joint powers authorities are usually established to reflect special programs among schools, districts, and county offices of education. Regional occupational centers and programs (ROC/Ps) are an example of joint powers authorities.

According to the Department of Finance, Education Code Section 42238.23 already specifies a PERS offset for joint powers authorities. The proposed budget trailer bill language would fix an incorrect section reference in that section.

As further evidence that joint powers authorities are covered by the PERS offset, the Department of Finance points out that Education Code Section 14550 already makes it clear that LEAs cannot avoid financial and other obligations through the participation in joint powers authorities.

The Department of Finance believes that this proposed budget trailer bill language would simply eliminate any technical loophole in the law that LEAs might use for purposes of avoiding the PERS offset.

The LAO recommends eliminating the PERS offset entirely.

[See Attachments for a copy of the specific budget trailer bill language proposed by the Administration.]

H. Budget Trailer Bill Language – Layoff Notices

The Administration is also proposing budget trailer bill language to allow a second employee layoff notice period for local education agencies after enactment of the budget if revenue limits do not increase by more than 2 percent.

The LAO estimates that the K-12 statutory COLA rate will be 2.41 percent in 2004-05 instead of 1.84 percent, as estimated in the Governor's January 10 Budget. Under this scenario, the Administration will increase COLAs for revenue limits to 2.41 percent at May Revise, and this language would no longer be needed in 2004-05.

[See Attachments for a copy of the specific budget trailer bill language proposed by the Administration.]

IV. Department of Education (6110) – State Operations

A. Child Nutrition Programs

Budget Issues/Actions:

1. Federal Child Nutrition Funds – New Expenditure Authority

The Department of Education has requested authority to spend \$1.942 million in new and existing federal funds in 2004-05 to expand state administrative activities for its federal nutrition programs. As a part of this request, CDE is requesting approval of 15 additional positions in the Nutrition Services Division to improve state-level monitoring and technical assistance to local agencies participating in federal child nutrition programs in 2004-05.

California is responsible for administering a number of federally-funded child nutrition programs funded through the U.S. Department of Agriculture (USDA). These programs include:

- School Nutrition Programs (Breakfast, Lunch & After-School Snacks);
- Community Nutrition Programs (Child & Adult Care Food); and
- Summer Food Service Programs.

California currently receives approximately \$1.4 billion in federal funding from USDA for these child nutrition programs. This amount will increase to \$1.6 billion in 2004-05, an increase of \$171.9 million. These funds include both local assistance and state operations funding. California spends less than 2 percent of these funds for state administration.

As a part of this funding, CDE receives federal child nutrition funds that can be used exclusively for state administration of federal child nutrition programs. State administrative activities include allocation of federal nutrition entitlements and monitoring, oversight and assistance to local agencies participating in the federal nutrition programs.

The \$1.942 million in federal funds that CDE is requesting for state administration in 2004-05 cannot be used for local assistance, and can only be used for state administration. If the state does not use federal funding available to them, the funds must be returned to the federal government.

CDE cites several factors as justification for their request:

1. Longstanding federal non-compliance that threatens loss of federal funds.

In recent years, the USDA has expressed concerns about the lack or shortage of staff in the Nutrition Services Division available to conduct reviews and provide technical assistance to participating agencies. In September 2002, a management review conducted by USDA resulted in corrective actions for CDE related to these staffing deficiencies. At that time, USDA warned CDE it would withhold all or some of the state's federal funds if it determined CDE was seriously deficient in its state administrative agency functions.

More recently, USDA has found the Nutrition Services Division to be out-of-compliance with federal requirements and has threatened to cut the state's administrative funds by one-third if federal monitoring, training and oversight requirements are not met. USDA has identified federal funds available to CDE for these purposes, however, without an appropriation in the budget, CDE is not authorized to spend these funds.

The Bureau of State Audits has also found CDE to be out of compliance with federal monitoring, outreach, oversight, and training requirements.

2. New program requirement resulting from major increase in federal regulations. In response to concerns about fraud in child care nutrition programs in states, USDA has promulgated numerous additional regulations for child care food programs.

These new regulations have been confusing and have resulted in some agencies dropping out of the program because of what was perceived as overwhelming regulatory burdens. Technical assistance and training could have prevented these problems.

Staff Notes: Staff recommends that the Subcommittee approve \$1.942 million in federal child nutrition funds including authorization of 15 additional positions in the Nutrition Services Division to address longstanding non-compliance issues and implementation of new regulatory provisions relating to the administration and oversight of federal child nutrition programs in California. Staff notes that additional federal funds are available for this purpose without reducing funding available for local assistance.